

31A-19a-201 Rate standards.

- (1) Rates may not be excessive, inadequate, or unfairly discriminatory.
- (2)
 - (a) Rates are not excessive if a reasonable degree of price competition exists at the consumer level with respect to the class of business to which they apply. In determining whether a reasonable degree of price competition exists, the commissioner shall consider:
 - (i) relevant tests of workable competition pertaining to:
 - (A) market structure;
 - (B) market performance; and
 - (C) market conduct; and
 - (ii) the practical opportunities available to consumers in the market to:
 - (A) acquire pricing and other consumer information; and
 - (B) compare and obtain insurance from competing insurers.
 - (b) The tests described in Subsection (2)(a) include:
 - (i) the size and number of insurers actively engaged in the market and class of business;
 - (ii) the market shares of insurers actively engaged in the market and changes in market shares;
 - (iii) the existence of rate differentials in that class of business;
 - (iv) ease of entry and latent competition of insurers capable of easy entry;
 - (v) availability of consumer information concerning the product and sales outlets or other sales mechanisms; and
 - (vi) efforts of insurers to provide consumer information.
 - (c) If reasonable price competition does not exist, rates are excessive if:
 - (i) rates are likely to produce a long-term profit that is unreasonably high in relation to the riskiness of the class of business; or
 - (ii) expenses are unreasonably high in relation to the services rendered.
- (3) Rates are inadequate if:
 - (a) they are clearly insufficient, when combined with the investment income attributable to them, to sustain the projected losses and expenses in the class of business to which they apply; and
 - (b) the use of such rates has or, if continued, will have:
 - (i) the effect of substantially lessening competition; or
 - (ii) the tendency to create a monopoly in any market.
- (4)
 - (a) A rate is unfairly discriminatory if price differentials fail to equitably reflect the differences in expected losses and expenses after allowing for practical limitations.
 - (b) A rate is not unfairly discriminatory if it is averaged broadly among persons insured under a:
 - (i) group, franchise, or blanket policy; or
 - (ii) mass marketed plan.

Renumbered and Amended by Chapter 130, 1999 General Session